

2020/21 National Cost Collection guidance

# Volume 2: National Cost Collection reconciliation and exclusions

How to obtain and record your cost  
quantum for the national cost collection

March 2021

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# 1. Introduction

## 1.1 Purpose and context

1. The National Cost Collection (NCC) collects data about the costs of patient care in the NHS. This means including only provider costs that relate to the ongoing running costs of your organisation and not those that are one-off in nature.
2. Some of the costs your organisation incurs are not collected, such as the costs of:
  - caring for another NHS provider's patients
  - services for which there is no requirement to understand the costs or for which it is not possible to collect the cost
  - caring for non-NHS patients
  - services which are funded by non-NHS bodies such as the Local Authority.
3. In addition, certain types of income that offset the cost of patient care are deducted from this cost.
4. Therefore, you are required to reconcile your organisation's audited year-end accounts and the costs your organisation submits in the NCC workbook for its cost quantum because otherwise they will differ.
5. Completion of the reconciliation statement **must** be completed in advance of preparing patient-level costs (PLICS) XML files or the aggregate workbook to obtain your NCC cost quantum. You **should not** try to work backwards from your submission files to create your NCC cost quantum.
6. Reconciliation to your organisation's audited year-end accounts is important for assuring the quality of costing outputs. You need to understand how your organisation's cost quantum is derived from these accounts, to ensure that your cost model includes all costs and produces reliable and comparable results.<sup>1</sup> As some of your organisation's audited accounts are not part of its

<sup>1</sup> See costing principles <https://www.england.nhs.uk/approved-costing-guidance/>

cost quantum, a reconciliation is needed to establish the links between the two.

7. This guidance describes the reconciliation process for cost data submitted in all national cost collections, whether patient-level costs (PLICS) or aggregate costs.
8. It is supported by Standard CP5: Reconciliation.

## 1.2 Cost Reconciliation

9. The cost reconciliation worksheet in the NCC workbook captures and reconciles the information from your organisation's audited financial accounts and any adjustments required to your total cost quantum.
10. The same information is collected in PLICS using the extract specification feed name INTREC or AMBREC.
11. You must ensure that the income and expenditure amounts entered in each line of the cost reconciliation worksheet are not duplicated on another line in the worksheet.
12. In 2021 the final accounts document will not be finalised until after the NCC guidance is published and therefore the FIN codes used in the reconciliation template, xml reconciliation reference data and integrated technical document will need mapping to the final accounts.
13. NHS England and NHS Improvement will supply a mapping table to final accounts template coding once the template is frozen.

## 1.3 Reconciliation process

14. **We recommend that you review the cost reconciliation worksheet when you start preparing your annual costing submission.** You must be able to accurately map the costing quantum back to your audited financial accounts right from the start of the costing process. Otherwise, reconciliation may prove more complex later.
15. You must obtain values for the operating expenses, activities other than patient care and accounting adjustments sections of the reconciliation template from the final audited accounts.

16. In 2021, NHS England and NHS Improvement will focus their reconciliation checks on the operating expenses, activities other than patient care and accounting adjustments sections of the reconciliation to ensure your pre-costing software subtotal is accurate. Where there are material differences, you will be required to resubmit.
17. We also advise scoping all the services your organisation delivers as early as possible to give yourself adequate time to include all of those within your operating expenses that are permitted to be in your cost quantum.
18. Where one provider is acquired by another mid-year, the acquiring provider must contact us to clarify the action it needs to take for reconciliation.<sup>2</sup>
19. In 2021 the reconciliation template requests further detail in analysis B and C for the breakdown of COVID-19 costs. The details in relation to completing this are provided in the COVID -19 recommendations guidance document.
20. Table 1 lists the steps we recommend you take in carrying out your organisation's reconciliation.

**Table 1: Recommended steps for the reconciliation process**

Step	Description
Step 1	Ensure the financial accounts are closed and the final version of the general ledger is available. Ask colleagues in financial accounts for the information from the final audited accounts.
Step 2	Obtain the final trial balance and/or the general ledger output, and ensure they agree at the detailed account code level. Familiarise yourself with which income centre each general ledger code is categorised into.
Step 3	Allocate the lines on the trial balance/output to the relevant lines on the cost reconciliation worksheet

<sup>2</sup> Contact us at: [costing@improvement.nhs.uk](mailto:costing@improvement.nhs.uk)

Step	Description
	in partnership with your financial accountant. <sup>3</sup>
Step 4	Together with your financial accountant check that the figures obtained in Step 3 agree with those in the final audited accounts spreadsheets.
Step 5	Complete the reconciliation worksheet up to the pre-costing software subtotal. Ensure your adjustments are a true and fair representation of your audited accounts. Perform a sense check at this point against last year's worksheet.
<p><b>The financial accounting element is now complete and you should move onto working with the costs from your costing software to finalise your cost quantum for the financial year. Your subtotal should now only relate to the costs for delivering patient care.</b></p>	
Step 6	From the costing system outputs identify the costs of services performed for/by another NHS provider, services out of scope of the NCC and care of non-NHS patients. Adjust for these costs in the appropriate lines of the reconciliation worksheet.
Step 7	Request approval from the NHS England and NHS Improvement costing team <sup>4</sup> before making any additional requirements not explicitly captured in the reconciliation worksheet. If approved, we will send you an authorisation code and you

<sup>3</sup> You can also use Spreadsheet CP2.1: Standardised cost ledger in the technical document to assist with this process.

<sup>4</sup> Please contact us at [costing@improvement.nhs.uk](mailto:costing@improvement.nhs.uk); we will aim to respond in three working days.

Step	Description
	<p>need to log this in your cost reconciliation worksheet. Adjust the lines in the cost reconciliation worksheet.</p>
<p><b>Development and quality assurance of your costing model in preparation for submission. This may take practitioners a number of weeks before moving onto Step 8 and Step 9.</b></p>	
Step 8	<p>Ensure that the total cost quantum for the files you are submitting for your cost collection agrees to within <math>\pm 1\%</math> of the total quantum in the reconciliation worksheet.</p>
Step 9	<p>Perform a final check of the reconciliation worksheet against last year's worksheet to identify any material or unexpected variations. If variations exist, investigate them and make changes as needed.</p>



## 2. Operating expenses

23. Your operating expenses are the starting point for your reconciliation. You derive your cost quantum by adjusting the operating expenses figure, but this must be done transparently using the reconciliation template and not by adjusting the operation expenses figure directly.
24. Your cost quantum should include costs incurred for any discontinued operations. If a patient care operation is discontinued, it should be matched to the appropriate activity. If another type of activity is discontinued, it should be netted off and you need to request an agreed adjustment from us.
25. Your general ledger output will often not correlate to your final audited accounts. The basis for the NCC is that your cost quantum is derived from your organisation's final audited accounts. Therefore, you need to work closely with your financial accounting team to understand and interpret the differences between the two and derive costs that relate only to the patient care your organisation is responsible for delivering.
26. Sections 3 to 7 of this document give guidance to ensure you make appropriate adjustments to your operating expenses, to arrive at your cost quantum. In summary:
  - **Section 3: Activities other than patient care.** From your organisation's expenses you should capture only those costs relating to patient care. You deduct the income associated with activities other than patient care from the total operating expenses.
  - **Section 4: Accounting adjustments.** Your organisation derives its final audited accounts by adjusting the final general ledger output. You may need to amend these adjustments to ensure that your cost quantum is representative of the overall costs of delivering the activity in scope of the collection.
  - **Section 5: Services performed to or by another NHS provider.** You should only account for the costs of providing care to your organisation's own patients. Where your organisation's NHS patients were seen by another NHS provider, or vice versa, you need to adjust your operating expenses.
  - **Section 6: Services excluded from the NCC.** The NCC only requires you to capture from your costing system the costs of services for which there is a

national requirement to understand the costs and that can be collected. You should only capture those costs incurred by your organisation in caring for NHS patients. This section describes scenarios where the care provided does not meet this definition and for which the costs need to be deducted from your operating expenses.

- **Section 7: Agreed adjustments.** These ensure that you can request additional adjustments to reconcile your audited accounts and costing system outputs.

## 2.1 Increase in Employers Superannuation

27. In 2019/20, the Employers superannuation contribution increased from 14.38% to 20.68%, with the increase of 6.3% being funded centrally by NHS England. Trusts are required to account for the full cost (20.68%) in their operating expenses (TAC08) which will come from ESR and allocated in line with staff cost arrangements.
28. The notional income of 6.3% should be recorded in other operating income and will not affect the quantum of costs or the trusts bottom line.
29. We understand that this will also be operational for 2020/21 and the same process will be utilised for the NCC for 2020/21.
30. The cost of the pension increase will inflate the quantum that is costed by practitioners this year. As this is a recurrent cost of delivering healthcare it should be included and the quantum and allocated to patients.
31. The income regardless of how it has been coded should not be netted of the cost of the increased premiums. In order to apportion this cost (as it is a cost of providing a service) where trusts are unable to easily link this to a specific individual via ESR information, it should be apportioned using gross payroll as the basis of apportionment.

# 3. Activities other than patient care

32. The guidance in this section ensures that you capture only those costs that relate to patient care from your organisation's audited accounts. It describes those activities other than patient care that an organisation may perform, and how you adjust for them in both the reconciliation worksheet and your costing model.
33. Activities other than patient care are:
  - education and training (E&T)
  - research and development (R&D)
  - commercial or other activities not primarily related to providing care to NHS patients.
34. Activities other than patient care are not reimbursed through national prices.
35. You will adjust for the income your organisation receives for activities other than patient care in both the reconciliation worksheet and within your costing model.
36. The working assumption is that the income recorded in your audited accounts matches the incurred costs of performing those activities.
37. National policy is that if the income received for services is more than what it costs your organisation to provide them, this contributes to the provision of NHS patient care. Therefore, the NCC requires you to net off all income from activities other than patient care from the appropriate cost centre within your cost ledger.
38. Income from activities other than patient care should be matched to the service that generated the income, offsetting the cost of providing that service.
39. In the reconciliation worksheet, income from activities other than patient care is deducted from the total operating expenses.

40. You need to understand the different types of income recorded in the general ledger and what costs the income relates to, so the outputs from the costing system can be reconciled to the audited accounts. Income groups need to be separated into income that relates and does not relate to patient care. We recommend that you familiarise yourself with which income centre each general ledger code is categorised into.
41. The reconciliation worksheet requires you to deduct income from E&T and R&D activities. Income from the remaining non-patient care activities, based on your organisation's 'other operating income', is deducted in non-patient care income recorded in patient care.
42. The totals for other operating income (all) and other operating income – not permitted, should balance with the other operating income in your organisation's final audit accounts.

### 3.1 Education and training

43. E&T income should be deducted from the operating expenses in other operating income.

### 3.2 Research and development

44. All R&D income regardless of the accounting treatment (IFRS 15 or non-IFRS 15) should be deducted from the operating expenses using other operating income.
45. R&D comprises several funding streams. The following funding streams are adjusted as part of your reconciliation process using other operating income:
  - **Research:** Research grant funding to pay for the costs of the R&D itself (eg writing the research paper) received from the Department of Health and Social Care (DHSC) (including the National Institute for Health Research – NIHR), other government departments, charities and the Medical Research Council (MRC), and which includes funding for biomedical research centres, biomedical research units and collaborations for leadership in applied health research and care (CLARHC).
  - **NHS support:** Funding from DHSC (including NIHR) to cover extra patient care costs associated with the research (eg extra blood tests, extra nursing time) that end when the research ends.

- **Flexibility and sustainability funding:** Funding from DHSC mainly to support the NIHR faculty and associated workforce.
46. Other R&D funding streams relating to patient care costs continue after the research ends. Where there is no income to match to a cost, the income must not be deducted from operating expenses.
- **Treatment costs, including excess treatment costs:** Funding from normal commissioning arrangements to cover patient care costs associated with the research that would continue to be incurred after the research ends were the service in question to continue.
  - **Subventions:** Exceptional funding from DHSC that contributes to the cost of very expensive excess treatment costs.
47. We are reviewing how excess treatment costs might be funded differently in future. This could have implications for the reporting of these costs in future NCCs.

### 3.3 Apprenticeship Levy

48. The expenditure in relation to the apprenticeship levy should not be included in the cost quantum. You should adjust for the income in the reconciliation within other operating income on the NCC workbook.
49. There are two elements of income which make up the apprenticeship levy balance. One from HMRC and one notional amount. Only the notional amount claimed back should be excluded.

### 3.4 Remaining other operating income including clinical excellence awards

50. After you have deducted E&T/R&D income in other operating income from your operating expenses, the remaining balance for other operating income should be deducted in non-patient care income recorded in patient care.
51. Income for clinical excellence awards (CEAs) should have been recorded in your organisation's other operating income and this should not be adjusted for. However, if your CEA income was included as patient income in your

audited accounts, you should adjust for it in non-patient care income recorded in patient care.

52. If you discover patient income within your other operating income, then you must ask for an agreed adjustment from NHS England and NHS Improvement.<sup>5</sup> This ensures that costs are not artificially reduced.
53. The remaining balance in other operating income should not need to be adjusted, but if you are unsure how to treat a source of income, do contact the NHS England and NHS Improvement costing team for support.

### 3.5 Non-permitted operating income

54. NHS England and NHS Improvement do not allow you to take away some income streams from your organisation's operating expenses known as other operating income – not permitted.
55. If you have patient-related income in your other operating income, you should not take this away from your operating expenditure.
56. The income streams that you are not permitted to take away are listed in Annex 1. For transparency, adjust for this income in other operating income – not permitted.
57. For assurance, Annex 1 also lists the types of income that can be included appropriately as part of the total you have used in other operating income.

<sup>5</sup> Email [costing@improvement.nhs.uk](mailto:costing@improvement.nhs.uk) citing 'NCC request for agreed adjustment' in the subject line.

# 4. Accounting adjustments

58. Further adjustments must be made to the 'operating expenses' reported in operating expenses from consolidated accounts of the reconciliation worksheet. Several non-cash items, such as donations and government grants for non-current assets, must be separately deducted from the operating expenses. Additionally, some income deducted as part of 'other operating income' that relates to patient care must be added back to the operating expenses.

## 4.1 Finance income and expenses

59. Finance income is unrelated to patient care and should be deducted from the operating expenses, whereas finance expenses should be added. Finance expenses for the unwinding of discount should be treated as part of finance expenses.

## 4.2 Public dividends capital

60. The provider's public dividends capital (PDC) should be added to the operating expenses.

## 4.3 Profits and losses

61. Profits from the sale of an asset that contributed to patient care should be deducted from the operating expenses, whereas losses should be added. The sale can be either at fair value or recycled.
62. Shares of profit from subsidiaries, associates or joint ventures (ie from group accounts) should be deducted from the operating expenses, whereas shares of loss should be added. The net effect of profits and losses should be calculated, and the resulting adjustment made to the operating expenses, as this figure will not be reflected in your organisation's cost quantum.
63. Any profit or loss from the sale of non-current assets in a private finance initiative (PFI) or Local Improvement Finance Trust (LIFT) deal should be deducted from the operating expenses to net off the gain or loss. Only the profit or loss from sales as part of a new PFI or LIFT scheme apply.

## 4.4 Impairments

64. Impairments charged through the statement of comprehensive income are not included in the NCC and must be removed. The balance of this line should be the net value of the impairment. This could be a positive or negative value.
65. Impairments should be deducted from the operating expenses, whereas reversals of impairments should be added.
66. The balance charged to revaluation of reserves do not relate to the operating expenditure for the year and should not be deducted from operating expenses.

## 4.5 Private finance initiative and Local Improvement Finance Trust expenditures

67. As a general principle, PFI and LIFT set-up costs include one-off revenue costs incurred in setting up a new PFI or LIFT scheme from the initial business case to financial close.
68. This includes fees (consultancy, legal, financial, etc) and other costs such as planning applications. Set-up costs do not include the cost of services and other costs such as interest expenses. Annex 3 clarifies the treatment of PFI and LIFT costs.

## 4.6 Donations and government grants for non-current assets

69. The depreciation relating to donated or government-granted on-current assets charged to expenditure in-year should be deducted from the operating expenses.
70. This is because the whole cost of the purchase is recognised in the year of the purchase.
71. You will have removed the depreciation of the donated asset and therefore the whole cost of the purchase is recognised in the year of the donation.



72. Any income received in-year to fund non-current assets must be added back to the operating expenses, as it is deducted as part of other operating income.
73. Take care not to remove impairments that will already have been deducted in 'Impairments net of (reversals)'. The income may be actual cash donated to purchase an asset or the asset value where an asset has been donated; the treatment here will be the same.
74. The treatment of the credit entry relating to donated assets is not held in reserves and is used to offset charges to expenditure. Instead, the funding element is recognised as income in-year as required by IAS 20 and as interpreted by the HM Treasury *Financial Reporting Manual*.<sup>6</sup>
75. In the year when the asset is received, the provider will have income equal to the value of the asset and a much smaller depreciation charge to expenditure. To prevent any instability in the cost quantum caused by this large net income in the year of receipt, followed by years of increased costs (ie the depreciation charge, etc), all income and expenditure relating to donated assets must be excluded from the NCC.
76. Impairments will not be an issue as these are also excluded from the NCC.

#### 4.7 Provider sustainability fund (PSF)/financial recovery fund (FRF)/marginal rate emergency tariff funding (MRET)

77. Income from the PSF/FRF/MRET should be added back to the operating expenses as it will have been deducted as part of other operating income.

<sup>6</sup> [www.gov.uk/government/publications/government-financial-reporting-manual-2017-to-2018](http://www.gov.uk/government/publications/government-financial-reporting-manual-2017-to-2018)

# 5. Services provided to or by another NHS provider

78. This guidance in this section ensures that you capture only the costs of caring for your organisation's own patients in your reconciliation. It details the correct treatment in the reconciliation worksheet of services provided to or received from another NHS organisation.
79. A provider's operating expenses minus its other operating income should typically equal its cost quantum. This may not be the case when one NHS provider performs services for another, such as elective operations for a provider that is struggling to meet its operational targets. Reconciliation adjustments are therefore needed.

## 5.1 Services supplied and received

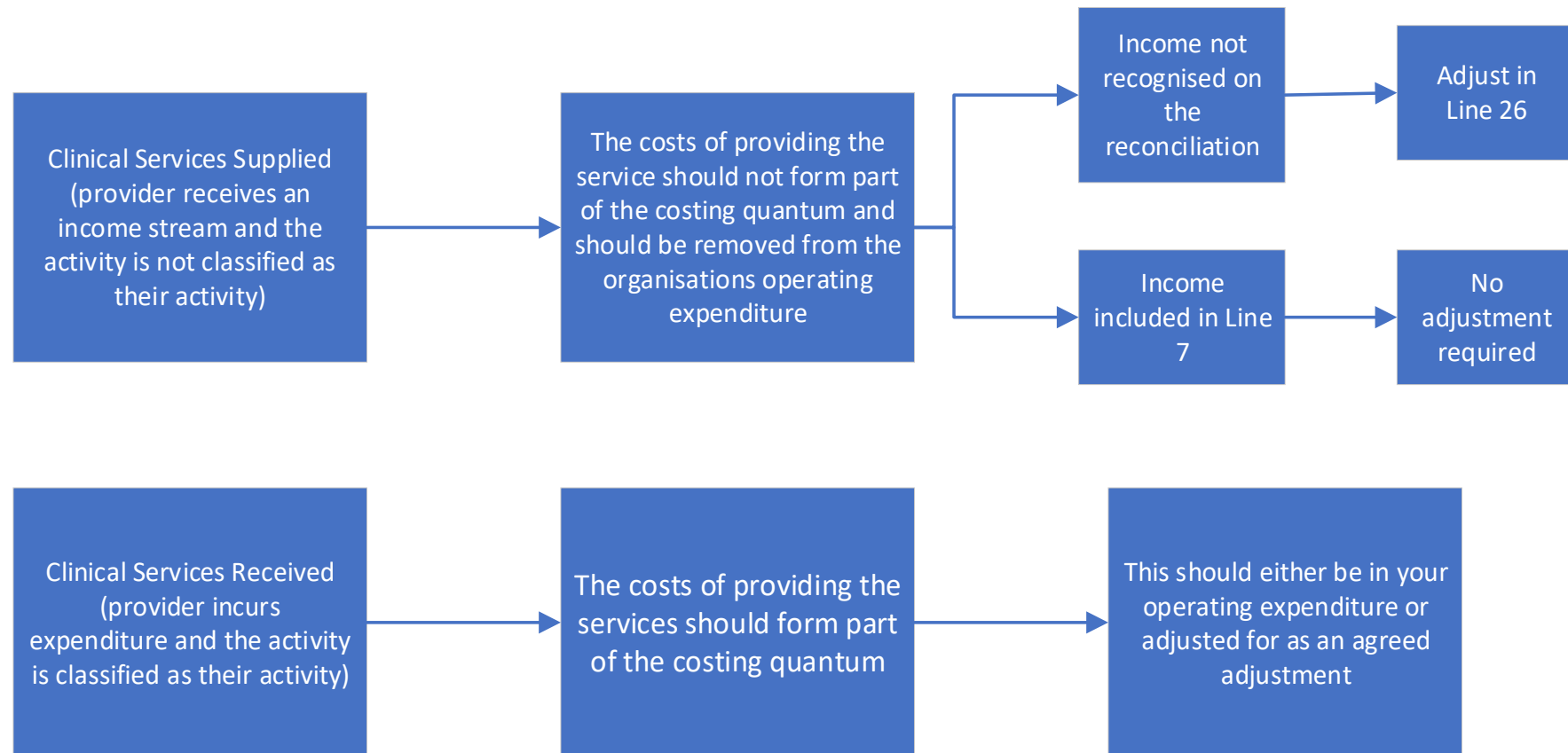
80. The standards refer to services provided to other organisations as 'clinical services supplied' and services received from other organisations as 'clinical services received'. See Standard CM8: Clinical and commercial services supplied or received.
81. The management of patients by a third-party organisation, but on behalf of an NHS commissioning body, is a type of contracted service. If in doubt about this, please contact us.<sup>7</sup>
82. Activity contracted out to the private sector is discussed separately in Section 6: Care contracted out to private providers.
83. The trust supplying the service provides the activity but does not receive patient income as part of its clinical commissioning group (CCG) commissioned contract; rather it receives payment from the service recipient.
84. The receiving trust is invoiced for the services provided to its patients by the supplying trust. It is therefore the final recipient of the cost of caring for the patient and responsible for reporting the activity and costs of the activity in its

<sup>7</sup> [costing@improvement.nhs.uk](mailto:costing@improvement.nhs.uk)

NCC, as if it had provided the service itself. Its operating expenses will include the payments it has made for the services it contracted out.

85. The receiving organisation should include the cost of the invoice in the operating expenses. As it will then flow through to the receiving organisation's cost quantum, no adjustments in the reconciliation worksheet are necessary.
86. The organisation supplying the service should not report the cost or the activity in its NCC submission. The profit or loss from supplying the service should remain in the total quantum of the supplying trust's costs.
87. This means that instead of adjusting the cost quantum for the true cost of supplying the service, you should adjust it for the income generated by the supplied activity.
88. The way income is treated depends on where it has been coded in the general ledger:
  - **other operating income** – no adjustment required
  - **patient income** – adjust in clinical and support services supplied to or received from other organisations (P2P).
89. Figure 1 shows how trusts should treat the costs of contracted services in their NCCs and reconciliation worksheets.
90. In your activity reconciliation, you should ignore any activity in the patient activity feeds (eg diagnostic imaging and pathology) relating to services supplied; it should be reported only by the trust receiving and paying for the services.

**Figure 1: Cost and reconciliation reporting for services supplied and received**



91. The reconciliation statement should not be adjusted for any profit or loss made on these arrangements; instead profit or loss should be reported as part of the memorandum collection. This information will not be published.
92. Costs relating to any qualified providers should be adjusted for in clinical and support services supplied to or received from other organisations (P2P).

## 5.2 Maternity pathway services

93. The woman chooses where she will receive maternity services. The 'lead provider' is paid for her care and in turn pays any other providers the woman chooses to receive services from. See Acute standard CA8: Maternity services.
94. Adjustments for maternity pathway services should be made in either of the following:
  - Income received from other providers for maternity pathways if included in other operating income
  - Payments made to other providers for maternity pathways if the cost in your ledger and included in operating expenses.
  - The woman's chosen provider should include the activity and costs of the services it has provided in its NCC. Its operating expenses will include the costs of providing the care. No adjustments are needed in its reconciliation worksheet, unless any of the income it receives from the lead provider is classified as 'other operating income' and therefore deducted in this line. Any such income should be added back in income received from other providers for maternity pathways if included in other operating income.
95. The lead provider will not include in its NCC the activity and costs of services the patient chooses to receive elsewhere. Its operating expenses will include the payments it has made for these services. Thus, the lead provider will need to deduct the value of these payments from its operating expenses.

**Figure 2: Maternity pathway payments**

Patient A	chooses to have baby at	Trust A	£ Pathway payment for antenatal care
Patient B	chooses to have baby at	Trust B	£ Pathway payment for antenatal care

				The ledger	
				Trust A	Trust B
Patient A	has a scan at	Trust B	Trust B invoices Trust A	60	-60
Patient B	has a scan at	Trust A	Trust A invoices Trust B	-80	80
				<b>-20</b>	<b>20</b>

Trust A	is making a <b>surplus</b> on maternity pathway income, <b>lowering</b> costs of the maternity service
Trust B	is making a <b>loss</b> on maternity pathway income, <b>increasing</b> costs of the maternity service

96. To avoid double-counting activity or costs, we propose that both the income (invoices sent to providers that are only recorded in the ledger) and expenditure (payments made to providers that appear in the ledger) are removed from the cost quantum.

# 6. Services excluded from the national cost collection

- 97. The guidance in this section ensures that you capture in your reconciliation worksheet the costs of services for which there is a national requirement to understand the costs and that can be collected.
- 98. The costs of services excluded from the NCC should be deducted on the reconciliation worksheet.
- 99. The main services are described in Annex 2.
- 100. However, your sector-specific volume may include the collection of activity and costs for some additional sector-specific services.

## 6.1 National screening programmes

- 101. Table 1 is a comprehensive list of the national screening programmes that are included in the NCC.

**Table 1: National screening programmes included in the national cost collection**

Programme	Where costs should be included
<b>Antenatal and newborn</b>	
NHS Fetal Anomaly Screening Programme	Included in relevant maternity outpatient and admitted patient costs.
NHS Infectious Diseases in Pregnancy Screening Programme	Included in relevant maternity outpatient and admitted patient costs.

Programme	Where costs should be included
NHS Linked Antenatal and Newborn Sickle Cell and Thalassaemia Screening Programme	Included in relevant maternity outpatient and admitted patient costs. The exception is a few genetic tests that are excluded and should be funded directly by CCGs.
NHS Newborn and Infant Physical Examination Screening Programme	Included in the cost of maternity delivery HRGs or postnatal visits.
NHS Newborn Blood Spot Screening Programme	The cost of taking the sample is included in the cost of maternity delivery HRGs or postnatal visits. The cost if its analysis by regional newborn screening services is excluded from the NCC.
NHS Newborn Hearing Screening Programme	Included in audiology services as neonatal screening.

### Young person and adult

National Screening Programme for Diabetic Retinopathy	Included in diabetic retinal screening, which should be reported as a directly accessed diagnostic service against HRG WH15Z.
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102. The costs for delivery of the National screening programme for Breast and Bowel screening are excluded from the NCC.

## 6.2 Services excluded from the NCC in 2021

103. Some services are not collected as part of the NCC because they meet one or more of the following criteria:

- no national requirement to understand the costs
- lack of clarity about the unit that could be costed
- no clear national definitions of a service
- no clearly identifiable national classification or currency



- underlying information flows do not adequately support data capture
- overlaps with social care or other funding.

104. Annex 2 gives the details of these services. Only these services may be excluded. The total cost of patient events should be excluded using full absorption costing and recorded on the reconciliation statement.
105. The guidance in this section ensures that in your reconciliation you only capture the costs your organisation incurs caring for patients whose care is funded by the NHS.
106. Costs for patients not funded by the NHS in England should not flow through your NCC cost collection and instead should be included on the reconciliation.
107. Therefore, this guidance applies only if your provider is submitting these costs as part of its operating expenditure.
108. It details the correct treatment in the reconciliation worksheet of services provided by your organisation to non-NHS patients or to your patients by private providers.<sup>8</sup>

### 6.3 Private patients

109. Deduct the costs of providing care to private patients who are funded by private medical insurers or pay for their treatment themselves.

### 6.4 Overseas visitors

110. Deduct the costs of providing care to overseas visitors who are not exempt from charge under the NHS (Charges to Overseas Visitors) Regulations 2011.<sup>9</sup>
111. Where the UK has a reciprocal agreement with another country you should not deduct the costs of caring for patients from that country as it is part of NHS activity.<sup>10</sup> CCG commission the care of these patients and their costs

<sup>8</sup> When following the PLICS costing process, please refer to Standard IR1: Collecting information for costing and Standard CM8: Clinical and commercial services supplied or received.

<sup>9</sup> This includes most irregular migrants, visitors from a country that the UK does not have a reciprocal agreement with and some UK citizens living overseas.

<sup>10</sup> Including patients from the Isle of Man and Jersey (but not other Channel Islands) with which the UK government has reciprocal healthcare agreements.

should be included in the same way as if they were registered or resident in England.

## 6.5 Other non-NHS patients

112. Deduct the costs of providing care to the following non-NHS patients:

- **Armed forces personnel:** These patients are funded by the Ministry of Defence (MoD) where the requirement varies from the standard NHS pathways in either the treatment requested or management requirements (eg fast-track care or non-standard treatment). Their attendances or episodes are identified by the code 'XMD' rather than the CCG code for data submission purposes. Non-standard care arrangements are normally covered in specific MoD contracts or by prior agreement with the MoD referrer.<sup>11</sup> For some mental health services, MoD funding does not apply and therefore the cost of these services should be included in the quantum.
- **Patients from the devolved administrations (Scotland, Wales and Northern Ireland):** Parliament sets the NHS budget based on the requirements of NHS patients in England; that is, those resident in England and legally entitled to NHS care.

## 6.6 Care contracted out to private providers

113. Deduct the costs of outsourced activity that is:

- contracted out to private providers (care contracted out to other NHS providers is discussed in Section 5)
- patient activity rather than outsourcing of functions, eg payroll
- patient activity where the whole episode is carried out by a private provider.

114. Commissioners may pay the increased cost of these patients; if so, the only cost that can be attributed by your trust is that for the administration of these patients (waitlist office, informatics, etc).

115. Your organisation's costs may include those for services it performs to facilitate the care of patients under the care of a private provider that is located within your organisation, eg nursing or administrative support.

<sup>11</sup> [www.gov.uk/government/publications/health-services-for-the-armed-forces-and-veterans](http://www.gov.uk/government/publications/health-services-for-the-armed-forces-and-veterans)

# 7. Agreed adjustments

116. All adjustments in this section should be agreed with NHS England and NHS Improvement before including in the reconciliation.
117. To seek our agreement you must send us full details of your proposed adjustment to [costing@improvement.nhs.uk](mailto:costing@improvement.nhs.uk).
118. We monitor the entries in agreed adjustment lines throughout the collection window. If we find entries that have not been previously agreed with us and for which there is no appropriate explanation, we may contact your provider and ask for a resubmission.
119. Adjustments must be agreed on an annual basis – that is, for each collection. Do not roll over those agreed in previous years as there is no guarantee that they will be agreed in subsequent years.

## 7.1 Non patient income recorded in patient care income

120. In some instances, activities other than patient care will be miscoded to patient care income in the final audited accounts.
121. You should adjust for this in the agreed adjustments section to ensure that the other operating income figure recorded in your reconciliation matches back to the final audited accounts.

## 7.2 COVID-19 Specific Adjustments

122. Certain costs funded centrally for COVID-19 should be excluded from the National Cost Collection in 2021. The details of these exclusions are published in the COVID-19 recommendations document, as most costs will come within the scope of providing services to COVID-19 patients.
123. All other costs should be included in the NCC submission as they are a cost of providing services in the new operating environment, regardless of how they are funded.

124. Full detail of the exclusion should be provided in analysis B and C in the NCC workbook.

### 7.3 Final accounts – FAQ adjustments,

125. Three lines have been provided for any adjustments which need to be made because of the final accounts being released at a later date than the costing guidance.

126. An FAQ will be published explaining any additional adjustment required and which row to be used.

### 7.4 Other organisation specific agreed adjustments

127. Organisations may ask for additional exclusions in exceptional circumstances where inclusion of the cost would mean that the costing quantum does not represent the provider costs that relate to the ongoing running costs of your organisation and for NHS services.

128. In 2021, the row for corporation tax has been removed. Corporation tax will normally only be part of the final audited accounts if it is paid for regarding subsidiaries, associates or joint ventures. Should your final audited accounts include this then you should request an adjustment.

# 8. XML Reconciliation

129. It is a compulsory in 2021 that all trusts mandated to submit PLICS complete two reconciliations:

- The reconciliation in the National Cost Collection Workbook which is excel based and inputted to directly by the costing practitioner
- The reconciliation as defined in the Extract Specification which is required to be submitted in XML file format and should be created by your organisations PLICS software solution.

130. In previous years, the XML reconciliation has not been validated by NHS England and NHS Improvement due to discrepancies between the two versions.

131. In 2020, NHS England and NHS Improvement used the reconciliation in the NCC Workbook to assure your starting cost quantum.

132. In 2021, both versions will be validated by NHS England and NHS Improvement during the submission window and therefore the reconciliation in the NCC workbook and the reconciliation in the submitted XML files should match.

133. In 2022, in line with the Costing Transformation Programme's development plan, the reconciliation in the NCC workbook will be turned off and will not be available for organisations to use. Therefore, **this year** you should ensure you can reconcile your quantum using your software solution to produce the XML files as defined in the Extract Specification.

# 9. Activity Reconciliation

134. Reconciliation of submitted activity has always been a requirement of the reference costs collection and was then assured by the costing assurance programme.
135. For the National Cost Collection (NCC) in 2021, NHS England and NHS Improvement would like organisations to attempt to reconcile their patient events submitted in the NCC workbook and in their PLICS XML files as outline in the Information Requirements.
136. This activity reconciliation template will be included in National Cost Collection workbook.
137. In 2021, providers where possible should reconcile patient events to the following datasets:
- EC, APC, OP should reconcile to Hospital Episode Statistics (HES)
  - SWC (Critical Care only) should reconcile to Critical Care Minimum Dataset (CCMDS) for adults, Paediatric Critical Care Minimum Data Set (PCCMDS) for Paediatrics and Neonatal Critical Care Minimum Data Set (NCCMDS)<sup>12</sup>
  - MHCC and MHPS should reconcile to Mental Health Services Data Set (MHSDS)
  - IAPT should reconcile to Improving Access to Psychological Therapies (IAPT)
138. You do not need to reconcile activity for high cost drugs, high cost blood or high cost devices.
139. You do not need to reconcile activity for unbundled imaging.
140. You should reconcile to the following versions of the mandated datasets:
- HES

<sup>12</sup> In 2020/21 CCMDS was collected by period rather than via bed day. For reconciliation purposes you use unique count of critical care local identifier in the XML submission to reconcile back to the mandated dataset.

- CCMDS
- PCCMDS
- NCCMDS
- MHSDS should be reconciled to MHSDS refresh of 2020/21 data
- IAPT

141. Historically, organisations have been asked to reconcile their activity to within 1% of the mandated dataset. However, in certain cases it is believed that this is not possible, for example due to timing differences or pilot schemes outside the remit of the mandated dataset.

142. In 2021, NHS England and NHS Improvement are not able to confirm tolerance levels until all data from the 2019/20 collection has been matched to the mandated dataset by Improvement Products Services (IPS).

143. NHS England and NHS Improvement will release an FAQ detailing the tolerance levels for each feed upon the completion of the 2019/20 matching exercise.

144. NHS England and NHS Improvement acknowledges that this will not be achievable for all providers however, at the current time this is a pragmatic solution which enables all stakeholders to be considered.

# Annex 1: Other operating income – not permitted: adjustments explained

Some items included in other operating income, should not be deducted from operating expenses. Tables A3.1 and A3.2 detail examples of items you should and should not adjust for respectively.

**Table A3.1: Example items you are permitted to adjust for in other operating income**

A&E patient experience fund	Information for health
Access, booking and choice funding	Information for health modernisation fund
Cancer service collaborative	Injury cost recovery scheme <sup>13</sup>
Capital to revenue transfers	Maternity liaison committee
Coronary heart disease collaborative	Reimbursements from manufacturers for device recalls <sup>14</sup>
Clinical audit funding	Social service income staff <sup>15</sup>
DHSC funding for specific projects, eg disability equipment assessment <sup>16</sup>	Special measures income <sup>17</sup>
Emergency services collaborative	Transitional relief <sup>18</sup>
Income and expenditure surplus from a previous year	Winter pressures income

<sup>13</sup> This is a reimbursement via a central government agency and should not be treated any differently from contractual income CCGs.

<sup>14</sup> These only apply where the income is treated as non-NHS income. If it is treated as NHS income, no adjustment is required.

<sup>15</sup> If there is a pooled budget arrangement, services should be excluded.

<sup>16</sup> Not allowable unless targeted income specified in the Table A3.2.

<sup>17</sup> If your special measures income does not relate to patient care, please contact the NHS England and NHS Improvement costing team.

<sup>18</sup> Transitional relief is sometimes provided to offset exceptional costs, eg PFI schemes.



Improvement partnership for hospitals	
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**Table A3.2: Example items you are not permitted to adjust for in other operating income**

Adoption medical fees	Mortuary fees
Advertising	Moving and handling
Beverages and meals	NHS learning accounts
Cancer network	National vocational qualifications (NVQs)
Car parking	Occupational therapy sales
Catering	Operating theatre and preoperative assessment programme
Charitable contributions to non-pay expenditure	Paycare commission
Charitable income	Photography
Clinical excellence awards	Provider-to-provider (PTP) handling charges
Clinical trials	Prescription income
Conferences	PTP income
Copy X-ray income for legal cases	PTP VAT to pay
Continuing professional development (CPD)	Receipts in advance
Copying	Reclaims and rebates
Court order administration fees	Rent and rate deductions
Court work <sup>19</sup>	Rent of land and premises
Drugs income for drugs supplied to other NHS trusts and pharmacists	Research and development
Educational courses	Restroom hospitality and takings

<sup>19</sup> If this work is done in NHS time, the employer is entitled to retain the fee, unless the disruption to the NHS is minimal and the employer agrees otherwise. In these circumstances, include costs net of income and exclude activity. If the work is done in the consultant's own time, including during annual or unpaid leave, there is no cost to the NHS provider.

External research income	Safer cities
GP co-operatives	Salary recharges <sup>20</sup>
Hospital shop leases	Sale of baby scan photos
Hospitality	Sale of inventory items
Income generation schemes	Sale of scrap
Interest received on cash deposits	Silver recovery
Investments	Staff meal deductions
Lease cars	Telephones
Lecture fees	Training income
Lifting	Unclaimed patients' property
Lodging charges	Vending machines sales
Miscellaneous income	World Health Organization (WHO) income

<sup>20</sup> To charities, universities (eg for staffing university sessions on an MRI scanner) and other non-NHS bodies (eg clinical pathology accreditation).

# Annex 2: Excluded services

Excluded service	Definition or description	Why is the service excluded?	Line number						
<p><b>Discrete external aids and appliances</b></p>	<p>This exclusion is intended for discrete services such as artificial limbs or eyes, and covers both the costs of the services and the appliances. It is not intended for aids such as synthetic wigs, custom footwear or orthoses that are an integral part of the care plan for services such as podiatry and that are provided during an admitted patient episode or outpatient attendance.</p> <p>NHS England and NHS Improvement are developing a tariff for this area of service. To better understand the costs of this service we will be collecting a memorandum breakdown of this exclusion.</p> <p>The breakdown will be as follows:</p> <table border="1" data-bbox="745 1062 1337 1313"> <tbody> <tr> <td>Cost of patient attendances excluding the artificial aid/ appliance</td> <td>£XXX</td> </tr> <tr> <td>Total cost of upper limbs excluded Including</td> <td>£XXX</td> </tr> <tr> <td>Total cost of lower limbs excluded</td> <td>£XXX</td> </tr> </tbody> </table>	Cost of patient attendances excluding the artificial aid/ appliance	£XXX	Total cost of upper limbs excluded Including	£XXX	Total cost of lower limbs excluded	£XXX	<p>No suitable currencies exist.</p>	<p>21</p>
Cost of patient attendances excluding the artificial aid/ appliance	£XXX								
Total cost of upper limbs excluded Including	£XXX								
Total cost of lower limbs excluded	£XXX								

Excluded service	Definition or description	Why is the service excluded?	Line number										
	<table border="1" data-bbox="745 403 1339 738"> <tr> <td data-bbox="745 403 1229 448">Including</td> <td data-bbox="1229 403 1339 448"></td> </tr> <tr> <td data-bbox="745 448 1229 528">Total cost of artificial eyes excluded</td> <td data-bbox="1229 448 1339 528">£XXX</td> </tr> <tr> <td data-bbox="745 528 1229 608">Other please specify</td> <td data-bbox="1229 528 1339 608">£XXX</td> </tr> <tr> <td data-bbox="745 608 1229 687">Other please specify</td> <td data-bbox="1229 608 1339 687">£XXX</td> </tr> <tr> <td data-bbox="745 687 1229 738">Total as per line 21</td> <td data-bbox="1229 687 1339 738">£XXX</td> </tr> </table> <p data-bbox="555 778 1514 890">If you feel an aid or appliance should be excluded from your costs, please contact <a href="mailto:costing@improvement.nhs.uk">costing@improvement.nhs.uk</a> and we will consider the exclusion on a case-by-case basis.</p>	Including		Total cost of artificial eyes excluded	£XXX	Other please specify	£XXX	Other please specify	£XXX	Total as per line 21	£XXX		
Including													
Total cost of artificial eyes excluded	£XXX												
Other please specify	£XXX												
Other please specify	£XXX												
Total as per line 21	£XXX												
<p data-bbox="174 932 425 1002"><b>Health promotion programmes</b></p>	<p data-bbox="555 932 1503 1086">Health promotion programmes are delivered to groups rather than individuals and are directed towards particular functions (such as parenthood), conditions (such as pre-diabetes) and aspects of behaviour (such as drug misuse).</p> <p data-bbox="555 1110 1514 1182">The exclusion is further broken down into the following classifications, and total costs should be provided for each:</p> <ul data-bbox="600 1206 1066 1286" style="list-style-type: none"> <li>• contraception and sexual health</li> <li>• oral health promotion</li> </ul>	<p data-bbox="1552 932 1966 1082">We are considering suitable activity measures with a view to collecting unit costs in future reference costs collections.</p>	<p data-bbox="2007 932 2045 959">22</p>										

Excluded service	Definition or description	Why is the service excluded?	Line number
	<ul style="list-style-type: none"> <li>• stop smoking education programme</li> <li>• substance misuse</li> <li>• weight management</li> <li>• other health promotion programmes.</li> </ul>		
<b>Home delivery of medicines and supplies: administration and associated costs</b>	<p>This exclusion includes all costs of home delivery, even those classified as high cost.</p> <p>Providers incur costs in delivering drugs, oxygen, blood products or supplies directly to patient's homes, without any associated clinical activity at the time of delivery.</p> <p>On this line, providers should include the administration and associated costs relating to home delivery of drugs and supplies, including:</p> <ul style="list-style-type: none"> <li>• enrolling patients and managing the home care service</li> <li>• contracting, ordering, invoice matching and payment</li> <li>• nurse support of a non-clinical nature</li> <li>• any other associated administrative costs.</li> </ul>	<p>There is currently no national requirement to understand the unit costs of providing this service.</p>	23
<b>Home delivery of medicines and supplies:</b>	<p>This exclusion includes all costs of home delivery, even those classified as high cost.</p>	<p>Where the medicine is on the high-cost drugs list, to understand the full cost of high-</p>	23

Excluded service	Definition or description	Why is the service excluded?	Line number
<b>drugs, supplies and associated costs</b>	<p>On this line, providers should include the costs of:</p> <ul style="list-style-type: none"> <li>• medicines that are <b>not</b> on the high-cost drugs list</li> <li>• supplies, eg continence pads or enteral feeding</li> <li>• delivery of medicines or supplies</li> <li>• any other associated medicine or supply costs.</li> </ul>	<p>cost drugs we ask that the cost of those supplied directly to patients' homes are detailed on the high-cost drugs worksheet and not excluded here.</p>	
<b>Hospital travel costs scheme (HTCS)</b>	<p>A scheme offering financial help with the cost of travel to and from hospitals and other NHS centres.<sup>21</sup></p> <p>Note that overnight stays are not part of the unable HTCS.</p> <p>However, the HTCS guidance<sup>22</sup> states: "Where an overnight stay away from home is unavoidable, either because of the time of the appointment or length of travel required, and the patient is to meet the cost of this stay, the expense should be treated as part of treatment costs or met through non-Exchequer funds. This should be discussed with the relevant CCG before the overnight stay occurs".</p> <p>Providers should therefore include overnight stays as a support cost in their reference costs.</p>	<p>Because this scheme makes fixed payments to eligible NHS patients, there is no requirement to understand or benchmark provider unit costs.</p>	<p>24</p>

<sup>21</sup> [www.gov.uk/government/publications/healthcare-travel-costs-scheme-instructions-and-guidance-for-the-nhs](http://www.gov.uk/government/publications/healthcare-travel-costs-scheme-instructions-and-guidance-for-the-nhs)

<sup>22</sup> [www.gov.uk/government/publications/healthcare-travel-costs-scheme-instructions-and-guidance-for-the-nhs](http://www.gov.uk/government/publications/healthcare-travel-costs-scheme-instructions-and-guidance-for-the-nhs)

Excluded service	Definition or description	Why is the service excluded?	Line number
<b>Local improvement finance trust (LIFT) and private finance initiative (PFI) set-up costs</b>	See Annex 3.	These are one-off costs.	11 and 12
<b>NHS Breast and Bowel screening programme</b>	The costs for delivery of the National screening programme for Breast and Bowel screening are excluded from the NCC.	This screening programme has historically been excluded however there is a plan to bring it in scope for future collections.	20
<b>Specified services: ambulance trusts</b>	<p>The following services or costs are excluded (ambulance trusts only):</p> <ul style="list-style-type: none"> <li>• air ambulance services funded by charitable funds</li> <li>• chemical, biological, radiological and nuclear costs</li> <li>• decontamination units</li> <li>• emergency bed service</li> <li>• emergency planning</li> <li>• hazardous area response teams</li> <li>• helicopter emergency medical services (part provided by Barts Health NHS Trust)</li> <li>• logistics or courier transport service, eg collecting clinical waste</li> </ul>	These services are not part of the ambulance service currencies for contracting and no other suitable currency exists.	26

Excluded service	Definition or description	Why is the service excluded?	Line number
	<ul style="list-style-type: none"> <li>• neonatal transfers (non-ambulance trusts should report the costs of neonatal critical care transportation under HRG XA06Z)</li> <li>• out-of-hours services</li> <li>• patient education</li> <li>• single point of access telephony services</li> </ul> <p>No other services are excluded in this category for ambulance trusts and the above services are not excluded from any other provider types without our permission.</p>		
<b>Specified services: mental health providers</b>	<p>The following services delivered by mental health providers:</p> <ul style="list-style-type: none"> <li>• acquired brain injury</li> <li>• neuropsychiatry.</li> </ul> <p>No other services are excluded in this category for mental health providers and the above services are not excluded for any other provider types without our permission.</p>	No suitable currencies exist.	26
<b>Specified services: named providers</b>	<p>The following services are excluded:</p> <ul style="list-style-type: none"> <li>• clinical toxicology service: Guy's and St Thomas' NHS Foundation Trust</li> </ul>	These are unusual services, each provided by one or two named providers, for which there is currently no requirement to submit costs for	26



Excluded service	Definition or description	Why is the service excluded?	Line number
	<ul style="list-style-type: none"> <li>• stalking threat assessment centre: Barnet, Enfield and Haringey Mental Health NHS Trust</li> <li>• high secure infectious disease units: Royal Free London NHS Foundation Trust and The Newcastle upon Tyne Hospitals NHS Foundation Trust</li> <li>• low energy proton therapy for ocular oncology: The Clatterbridge Cancer Centre NHS Foundation Trust</li> <li>• National Poisons Information Service: The Newcastle upon Tyne Hospitals NHS Foundation Trust</li> <li>• National Artificial Eye Service: Blackpool Teaching Hospitals NHS Foundation Trust.</li> </ul> <p>No other service provided by any other provider may be excluded in this category without our permission.</p>	benchmarking or any other purpose.	
<b>NHS continuing healthcare, NHS-funded nursing care and excluded intermediate care for individuals aged 18 or over</b>	<p>NHS continuing healthcare means a package of ongoing care arranged and funded solely by the NHS where the individual has been found to have a 'primary health need' as set out in guidance.<sup>23</sup> Such care is provided to an individual aged 18 or over to meet needs that have arisen as a result of</p>	<p>We wish to test the collection of intermediate care services in Section <b>Error! Reference source not found.</b> before considering NHS continuing healthcare.</p>	27

<sup>23</sup> [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/213137/National-Framework-for-NHS-CHC-NHS-FNC-Nov-2012.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/213137/National-Framework-for-NHS-CHC-NHS-FNC-Nov-2012.pdf)

Excluded service	Definition or description	Why is the service excluded?	Line number
	<p>disability, accident or illness. It can be provided in any setting including, but not limited to, a care home, a hospice or a patient's home.</p> <p>NHS-funded nursing care is care provided by a registered nurse for people who live in a care home.</p> <p>This also includes the Electronic Assistive Technology Service (EATS) and augmentative and alternative communication (AAC) services.</p> <p>Excluded intermediate care is those services defined in Volumes 3, 5 and 6.</p>		
<p><b>NHS continuing healthcare, NHS-funded nursing care for children</b></p>	<p>NHS continuing healthcare means a package of ongoing care arranged and funded solely by the NHS where the individual has been found to have a 'primary health need' as described in guidance.<sup>24</sup> Such care is provided to a child to meet needs that have arisen as a result of disability, accident or illness. It can be provided in any setting including, but not limited to, a residential care home, hospice or the patient's own home.</p> <p>NHS-funded nursing care is care provided by a registered nurse for people who live in a care home.</p>	<p>Lack of robust activity data.</p>	<p>27</p>

<sup>24</sup> [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/213137/National-Framework-for-NHS-CHC-NHS-FNC-Nov-2012.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/213137/National-Framework-for-NHS-CHC-NHS-FNC-Nov-2012.pdf)

Excluded service	Definition or description	Why is the service excluded?	Line number
<p><b>Patient transport services (PTS)</b></p>	<p>All costs associated with services run by ambulance trusts and other PTS providers offering transportation of patients to and from their place of residence, premises providing NHS healthcare and/or between NHS healthcare providers for people who have a medical need.</p> <p>Where one trust provides a PTS for another trust, this is a commercial activity. The cost will be excluded from the reference costs, but the income should not be netted off in the presentation of the cost of PTS in the reconciliation.</p> <p>Please note: patients transported between an organisation's own sites are a support cost to the admission.</p>	<p>PTS were included in reference costs between 2006/07 and 2009/10, and excluded from 2010/11. Consultation with the sector suggests that collection of this data would be very complex.</p>	<p>24</p>
<p><b>Pooled or unified budgets</b></p>	<p>As a general principle, costs and activity are excluded for services jointly provided under pooled or unified budget arrangements with agencies outside the NHS, such as social services, housing, employment, education (eg Sure Start), home equipment loans or community equipment stores.</p> <p>This also includes:</p> <ul style="list-style-type: none"> <li>• costs relating to advice to non-NHS bodies</li> <li>• vaccination programmes part-funded by GPs or non-NHS providers.</li> </ul>	<p>Services provided by bodies outside the NHS, such as local government, are outside the scope of reference costs.</p>	<p>28</p>

Excluded service	Definition or description	Why is the service excluded?	Line number
	Where providers are confident they can separately identify a discrete element of the service that is funded by the NHS, identify the total costs incurred by that service, and have accurate and reflective activity data, they are encouraged to include that service.		
<b>Primary medical services</b>	Services provided under a primary medical services contract: general medical services (GMS), personal medical services (PMS), alternative provider medical services (APMS) and specialist medical provider services (SPMS). Includes GP-provided open access services and GP out-of-hours services.	Primary medical services are subject to separate funding arrangements and are outside the scope of reference costs.	28
<b>Prison health services</b>		Availability of activity data has been an issue with prison health services. However, some costs and activity are included in reference costs (prison health and mental health specialist teams), and we will consider whether other costs and activity should be included in future.	28
<b>Hosted services (CM23)</b>	Services hosted by one provider but providing benefit for the patients of other providers. The specified services are:	There is no patient event to which costs can be allocated.	17

Excluded service	Definition or description	Why is the service excluded?	Line number
	<ul style="list-style-type: none"> <li>• genetic laboratory services – specialist laboratory services that are nationally commissioned and members of the UK Genetic Testing Network (UKGTN);<sup>25</sup> each laboratory carries out rare genetic tests for a large number of hospitals</li> <li>• intensive care support services – providing transport, advice or other services for critical care patients regionally</li> <li>• child health information services (CHIS) – the cost of providing this service should not be allocated to patient care categories, but should be excluded under this category</li> <li>• Sexual Assault Referral Centres (SARC) – the cost of providing this service is not funded by the NHS.</li> </ul> <p>No other service may be excluded in this category without our permission.</p>	<p>The host provider is fully funded, and there is no recharge to other providers.</p>	

<sup>25</sup> [www.ukgtn.nhs.uk/gtn/Home](http://www.ukgtn.nhs.uk/gtn/Home)

# Annex 3: Treatment of PFI and LIFT Expenditure.

Heading	Comment	Treatment of costs
<b>Cost of services</b>		Include
<b>Depreciation charges</b>		Include
<b>Dual running costs</b>	For services transferring	Include. Double-running costs for all other service reconfigurations, etc are included.
<b>Interest expense</b>		Include. This includes the indexed elements of PFI payments that do not relate to services.
<b>Interim services (including pass-through costs)</b>	Facilities management costs transferred early	Include
<b>Subleasing income</b>		Include. Income generated from any subleased areas should be deducted from overall PFI costs.
<b>Accelerated depreciation</b>		Exclude
<b>Advisor fees</b>	External advice provided to the provider	Exclude. Set-up costs (principally fees) incurred by the trust in developing a PFI scheme can be excluded.
<b>Annual capital expenditure</b>	Such as lifecycle costs	Exclude. The costs of capital items are picked up through depreciation in the same way as all other capital assets.
<b>Demolition costs</b>	These are works undertaken and paid for by the trust outside the PFI contract	Exclude. If the scheme were to be funded through public capital, this is likely to be capital expenditure.
<b>Impairment charge</b>		Exclude. This is consistent with the principle that the national cost collection reflects ordinary ongoing revenue costs and exclude

Heading	Comment	Treatment of costs
		extraordinary one-off costs unless otherwise stated.
<b>Project team</b>	Provider project team	Exclude. Set-up costs (principally fees) incurred by the provider in developing a PFI scheme can be excluded. Please ensure that you can satisfy the auditors that the costs of the project team relate solely to the time spent working on the PFI scheme.
<b>Profit on sale of surplus land or buildings</b>		Exclude
<b>Repayment of finance lease</b>		Exclude
<b>Other costs</b>	Other payments not made to PFI provider	Other costs incurred by the provider that are a result of the PFI development – but are not payments made to the PFI provider – should be treated in the same way as other similar provider costs as directed in this guidance.

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